



**“STATE OF THE CITY ADDRESS”
CIVIC CENTRE-VEREENIGING
28TH APRIL 2011**

Speaker of Council: Councillor Greta Hlongwane

Chief Whip of Council: Cllr. Thembile Nquba

Members of the Mayoral Committee

Councillors

Leaders of various political parties and the civic movement

The Municipal Manager: Mr. Sam Shabalala and members of the Senior Management Team and officials of the municipality

The chairperson of the Audit committee and its members

Members of the community

Religious leaders

The business fraternity

Distinguished guests

Miss Emfuleni

Friends from the media

Ladies and gentlemen

Dumeleng

I would like to acknowledge in our midst the presence of the Honourable MEC for Local Government and Housing, Mr Humphrey Mmemezi, Councillor Mahole Simon Mofokeng, the Executive Mayor of Sedibeng District Municipality, and the Executive Mayors, Cllr Khulu Malindi-Chiefwhip of Sedibeng District Municipality, Speakers, Chief Whips of our sister municipalities.

Let me further acknowledge the offices of the Auditor-General, the Provincial Treasury and the Chairperson of the Audit Committee Mr. Piet Fourie.

I further wish to acknowledge Dr. Ivor Zwane, the General Manager of Sasol responsible for Corporate Investment.

I wish to acknowledge the presence of our most important guests, the community of Emfuleni.

Madam Speaker, we are assembled here today to table our 2011/12 budget and IDP. It is for this purpose that we want to thank you for affording us this

opportunity and all those who have contributed to this State of the City Address.

We have walked a long journey. This is a journey spanning 11 years since the establishment of our new system of developmental local government. We assumed this journey through the Local Government Transition Act by amalgamating the old order local authorities to establish a more democratic dispensation based on justice and dignity.

Emfuleni is the outcome of amalgamated communities that were formerly fragments based on apartheid spatial design. Having assumed this task, we then had a responsibility of servicing areas that were socially and spatially fragmented. As a consequence we have inherited a dilapidated infrastructure that accounts for floods, aged storm water and un-tarred roads.

We must admit that apartheid has fundamentally damaged the spatial, social and economic environments in which people live, work, raise families, and seek to fulfil their aspirations.

Evaton and Veereniging are the oldest towns whose state is in shock.

Whilst Gauteng is the economic centre of South Africa, the state of our communities is in stark contrast to other well established townships elsewhere in the province and as a consequence not reflective of such a status.

It is through the stimulation of the local economy that we have been able to arrest the migration of labour which led to the population decline, skills migration and acute unemployment.

This shocking unemployment rate honourable members paints a bleak picture of a society riddled by poverty, malnutrition, and crime. At worst it erodes the dignity of our people.

Emfuleni makes the largest contribution to the total economy of Sedibeng. In 2006 the municipality was not receiving any Municipal Infrastructure Grant thus having a negative impact on our infrastructure development.

This then accounts for the state of our roads in our areas. To be frank Madam Speaker, we started from zero percent when we assumed our mandate.

Our primary task remains that of aligning our strategy with Vision 2055. It is this vision that seeks to propel the growth and development of Gauteng to new greater heights. We need to fit squarely within Gauteng strategy of a global Competitive City Region.

This journey Honourable Members was not an easy one as the municipality was once placed under Project Consolidate in order to ensure that it executes its mandate to the fullest as required by the Constitution. In simple terms we were under the intensive-care unit. However, despite all the mammoth challenges that continue to face us and despite all the apartheid legacies we

had to inherit, the province has never invoked Section 139 to place us under administration while many other similar municipalities elsewhere went towards this direction. This on its own is an indication of our resilience and demonstrates our capacity to soldier on even when we seemed to be on the verge of collapse and engulfed by intense service delivery protests.

Today Madam Speaker we gather under a very clear message from our communities that communities want to work with government to do more. As we approach the 2011 local government elections, we do so under the theme ***“working together we have achieved much - but there is more to be done”***. Our vision is that of profound transformation of society to ensure that the economy creates jobs, decent work and sustainable livelihoods.

Madam Speaker, I am pleased to report that the political and administrative foundations of Emfuleni are solid. The 11 point plan of the African National Congress was an intervention strategy to give strategic direction and to provide political leadership and guidance to the municipality and to reposition it as a vehicle for service delivery.

One of the significant features of this plan is the 100 days plan of action which amongst others was to ensure institutional stability and to build a human resource with the expertise and skills to meet the challenges that arise with service delivery.

This approach and plan rescued the municipality.

Local government Turnaround strategy

To speed service delivery one of our Turnaround Strategy is a strategy intervention measure geared towards ensuring that we meet the basic needs of our people, build a clean, responsive and accountable government, improve functionality and professionalism, strengthen partnership between the municipality and communities and to improve support and oversight.

The 2011/12 Integrated Development Plan is a strategic tool that carries the expectations of our communities. It is a blue print that will guide our government for the next five years of service delivery accompanied by job creation and poverty eradication.

The 2011/12 budget is a driving force towards the realization of the IDP goals and targets. The next five years of provision of quality services should be accompanied by the collective will of our communities to pay for their services.

A dream for better life will remain a dream as long as our people do not pay for their services. Our developmental agenda will remain stagnated by the unwillingness and failure of our people to contribute to the national discourse of nation building.

Madam Speaker and members of the House, the 18th May 2011 marks the end of that long journey. As we approach the end of this journey, our people have spoken that the next five years should be years focussing on delivery of quality services. The next five years will be based on the experiences learnt since the last 11 years of our governance since 2000.

As we move towards the end of this local government term, we do so proud of the leadership we have provided to our people. It was indeed our people Madam Speaker and honourable members, who held us together as a collective to serve them on the basis of the mandate entrusted upon us.

Budget

Between 2002 and 2006, our budget grew by 38.12%. The 2011/2012 budget reflects our growth and status as the biggest category B municipality in the country. Between 2006 and 2011 the budget grew by 145.75%.

This is a quantum leap from the previous years' budgets, needs and priorities.

This growth is a further reflection of our development goals and the achievements of the last decade as a high capacity municipality.

President Jacob Zuma's declaration of "*a year of job creation*" necessitates the lineage of our budget to respond to the needs of the poor and the unemployed. Therefore Madam Speaker, the budget we are to adopt today seeks to respond to the massive challenges of poverty and unemployment, and to speed service delivery.

In the 2004 financial year, Madam Speaker we celebrated ten years of our freedom. We pledged ourselves to vision 2014 to build a better South Africa during the second decade of this freedom.

It was in 2004 that we entered into a peoples' contract to create work and fight poverty. President Jacob's Zuma declaration was a re-affirmation of such a mandate.

It was a mandate to accelerate service delivery so that no community will still be using the bucket system for sanitation 2007.

Today Madam Speaker, allow me to make bold and say without any fear that no bucket system is used in our area.

We further declared that all communities will have access to clean water and decent sanitation by 2010. We have received a blue drop award for the cleanest drinking water and for its quality and levels purity.

Today madam Speaker we are providing 100% of clean water supply to all formal households. We have also managed to provide additional water supply services to over 67 000 new households over the past five years.

Furthermore there is a R23 million reservoir under construction in Boiketlong to facilitate the development of new houses in the area.

All our informal settlements receive water supply through communal taps.

This budget honourable members seeks to achieve the millennium development goals by eradicating poverty, achieving primary universal education, promoting gender equality and women empowerment, reducing child mortality rate, improve maternal health, combat HIV/AIDS and other diseases, ensure environmental sustainability and to develop a global partnership for development.

If this budget Madam Speaker does not address these challenges, it does not deserve to be a people's budget.

It is a peoples' budget as it is representative of the community inputs through a process of stakeholder and community consultative process. It is reflective of the views of our communities. It seeks to create jobs and eradicate poverty.

This budget seeks to achieve revenue protection, to generate and enhance revenue, maintain roads and infrastructure and to create jobs.

Council will recall that as part of our intervention we secured a loan of 80 million to fund the electricity bill. We undertook to pay the loan by the end of 30th June 2011. It is however important to continue maintaining the loan as part of our strategy to ensure continuity.

Sound Governance

The municipality has built a sound foundation in respect of compliance and governance.

We have established an Audit Committee that is fully functional. We have further ensured excellent audit records are kept that can withstand any legal scrutiny.

We have ensured that sound Internal Audit assurance reports dealing with compliance, risks, environmental, governance, value-for-money audits are being presented to Council on regular basis.

The report on performance information was presented to Council, a first in the history of this Council, which was dealing with service delivery issues and sending warning signs as to how to improve on the services we deliver to our communities, for me this is a great stride in the right direction.

For this reporting period the Auditor-General has placed reliance on the work of internal audit, Madam Speaker, I must say historically the Auditor-General could not place reliance on this. I am optimistic that with the current capacity extensive reliance will be placed due to the improvement noticed in the past

four to five months, since the appointment of the Chief Audit Executive. In general it is evident that this improvement will bring a positive contribution in the internal control, governance and risk management processes towards a clean audit opinion in future that is before 2014.

Madam Speaker let me qualify my previous comment to say that our governance structure is continuously improving, to this end the Auditor-General in evaluating our control environment, by means of walk-through tests, rated the municipality GOOD.

Enterprise Risk Management

A lot of progress has been registered with respect of enterprise risk management for example the establishment of a Risk Management, Anti-fraud and Anti-corruption Committee which is chaired by an independent external person to ensure transparency.

It is evident that the Committee is working efficiently, e.g. the risk management strategy/risk register of the municipality which is aligned to the IDP objectives will be presented to Council. The risk management strategy will ensure that the municipality receive early warning signs on service delivery issues. I am also pleased to announce that this progress will be aligned to the SDBIP and performance agreements and plans of senior management to close any service delivery gaps that can emerge. Further, Madam Speaker, Gauteng province assessed our current risk maturity at 3.4 out of 5, compared with the previous 2.7 rating indicating continuous improvement in our governance processes.

I.P.A.M Cluster

The IPAM cluster to date has achieved noticeable results against its strategy and its objectives.

The strategy adopted to address the slow expenditure on the Municipality Infrastructure Grant (MIG) is in three phases.

- Phase 1 was the activation of the MOU with Mogale City aimed at increasing Grant commitment. This was achieved and three service providers were appointed and a total of about R30million was committed.
- Phase 2 is about transferring qualifying and active Ward based projects to MIG. This is aimed at improving MIG expenditure considering that these projects have already spent a significant portion of their budget and in some instances some were on a stand still due to ELM budget constraints like most of the roads projects.

- To date Ward based projects for roads have been approved for MIG funding. With these approvals in place an expenditure amounting to approximately R30million can be added to our expenditure on MIG. This alone results to a MIG expenditure increase to about 60% from 30% and adds a commitment of R47Million
 - With these two commitments ELM MIG budget is committed for this financial year.
- Phase 3 is about driving and solving issues on active projects addressing risks. Results are already showing the expenditure for end Feb was about R1.1million but end March about R7.5million. This is already a 580% increase in expenditure (and more is expected) compared to the previous month.

Extended Public Works Programme

- The cluster has to date went out on tender for a service provider to come on board and assist with the planning, data capturing, design and the management of the labour for Labour Intensive Method projects. This service provider will establish labour desks at strategic positions within the community for labour registrations. They will help ELM to finalise planning within this financial year for the next financial year. Most importantly help us achieve our labour target and claim our incentives.

Web-based project Management system

- Through the MOU with Mogale City the cluster has received a report from Mogale City of their Project Management Specialist that will be used to roll out a web based system for project management. This IT system will be part of a solution aimed at addressing administrative and contractual project management issues. These service providers will be appointed for business process re-engineering and for the system roll-out. One critical business process that the cluster has started working on is the invoice process. A tool named the “invoice tracker” has been created aimed at tracking invoices as a means to improve payment turnaround periods.

Building organs of people’s power

The Budget and IDP requires collective leadership based on an efficient, effective and a strong ward committee model that will serve as a link between government and communities.

This model will seek to deepen and strengthen democracy and enhance community participation, to close the gaps that exist between government and

communities, to bring government closer to the people and to hold government accountable.

In this instance we need to be caring and responsive to community needs, feel and share their hardships.

A government that is based upon the will of the people does not lead and deliver from the ivory tower. It governs together with communities, hence our conviction that the people shall govern.

We continue to maximize our interaction with our communities through the Rapid Response Unit, the Presidential and Premier's hotlines.

To date we have received 422 service delivery concerns through the Presidential and premier's hotlines. Of these, 220 have been resolved.

As part of our five year plan we will establish a one stop centre through a Customer Care Centre in order to ensure continuous interaction with our people and to render a prompt service in line with the Gauteng norms and standards.

This will speedily resolve problems of dysfunctional traffic lights, leakages, water-logged houses, pot-holes, street-lights. All these problems will be rapidly attended to within seventy two hours. This is in accordance of the Gauteng Norms and Standards.

A budget of 4 million has been set aside for the operation of the centre.

Service delivery protests

Madam Speaker, we were not immune from service delivery protests that besieged the country. Whilst these protests were genuine there are those who under the guise of poor or lack of service delivery push their self and narrow interests at the expense of our people.

These service delivery protests were genuine as communities cried that councillors are not closer to their people. Local government is a point of contact and coal face of service delivery. The mandate of local government should be people centred and people driven as a pillar of the RDP.

Whilst we respect our communities' right to protest, we appeal to them to do so in a peaceful manner. We encourage our communities to participate on ward committees, school governing bodies and community policing forums including the creation of environmental committees.

Job creation

Our procurement policies benefit people with disabilities, women and young people. No tender shall be awarded without 30% being locally sourced. Our service delivery programme should benefit our people. We call our people to

use every opportunity created by government to build capacity and necessary skills and expertise in the fields of administration and construction.

We cannot remain SMMEs forever. However we are giving red card and doing away with all those emerging contractors that cheat the municipality by doing shoddy work and poor workmanship.

We have created 300 jobs for young people through the National Rural Youth Service Corps as part of our rural and development strategy.

Our procurement policy has benefited 300 SMMEs. Our 30% procurement policy has created 500 jobs through usage of local labour and empowerment of local companies.

We have created a further 286 jobs through the Indalo Yethu beautification project. Through the Extended Public Works Programme we will continue to create a further 1000 jobs. This will include skills and expertise transfer to emerging companies.

Through our rural and agricultural development programme we ensured that our people have access to services through the South African Social Security Agency, Home Affairs, South African Police services, Department of Education.

We have together with the provincial government established a Maize Triangle as part of food security and job creation. Tractors, seeds and farming implements were donated to emerging farmers to subsistence farming as part of agricultural strategy and agrarian reform.

We pride ourselves with the conversion of contracted workers into full-time employees. No employee should work as a temporary worker unless as part of the Extended Public Works Programme which seeks to benefit all communities.

Our partnership with the private sector saw an investment in infrastructure which included the construction of the Makro Retail, Bedworthpark Pick and Pay and other wholesale activities and retail activities along the barrage Road.

Other investments relates to the Eastern precinct worth 350 million, the Mafatsane Thusong Centre, an investment of R 1.5 million food village and hydroponic project.

Indeed Madam Speaker, a lot has been done and much more still needs to be done.

Madam Speaker let me without any fear dismiss those who labelled us as having neglected our communities.

At the same time let me dismiss those who accuse us of having turned a blind eye when our people cried for delivery. The achievements of the last 17 years

of democratic governance bear testimony to our commitment towards quality live.

I must however warn that we need not be complacent of these achievements as a lot still needs to be done. Our people still live in abject poverty, confronted by the realities of rampant crime that continuously erode the moral fibre of our society.

The Kwa Masiza Hostel now officially belongs to the municipality. We purchased it in the amount of R5 million. Together with the provincial government the hostel will be upgraded to the tune of R23 million where our people will live with dignity. Work will begin in earnest to change the face of this hostel into family units.

Corruption

Since assumption of office, we ensured that we clamp down on corruption. Corruption erodes the confidence of our communities in our ability to lead and govern. It hampers service delivery.

We pride ourselves with the establishment of the Anti Corruption and Anti Fraud Hotline which is accessible to communities at no cost.

We pride ourselves with the Anti Fraud and Anti corruption Strategy to combat corruption and fraud.

We continue to root out those who paper push when our people need services. This is against the principles of Batho-Pele.

To demonstrate our firm intolerance to fraud, corruption and misconduct, since 2007 we have dismissed 48 employees for various transgressions of fraud, misconduct and corruption.

We shall remain intolerant to those employees when people sleep under trucks when they should be collecting waste, fixing potholes and cutting grass.

We cannot behave as if it is business as usual.

Housing

We continue with our vision to ensure that there is housing security and comfort. In partnership with the Department of Local Government and Housing provision of houses remain at the top of our agenda.

Houses will be constructed in Quaggafontein, Leeukuil, Sonderwater, Cyferpan, Johandeo phase 2, Vlakfontein, Westside Park, Beverly Hills, Vereeniging Old Hospital, Houtkop, Unitas Park and Evaton West.

All these processes are still in the planning phase. There will be further construction of 280 units in Sebokeng zone 24 as part of phase 2.

There will be erection of 165 high density units in Bophelong in the Chris Hani area. This constitutes part of our broader strategy to eradicate informal settlements and to provide shelter to our people.

Those who fraudulently sell houses must be reported. We rely on our people to refrain from buying RDP houses and invading land.

RDP houses are not for sale and those who sell and buy them will face the full might of the law. We stand firm against corruption.

Madam Speaker, as we continue with our fight against abuse of women and children, we continue to witness the brutality inflicted upon women and children.

Roads and stormwater

60% of roads in Emfuleni are tarred whereas 40% are still gravel/dead roads mainly are in the townships. Potholes remain a major problem.

We have 1427.9 kilometres of tarred roads, 1 054 kilometres of untarred roads, 508 kilometres of storm-water pipes, and 245 kilometres of primary routes.

Our five year plan will ensure that all our roads are tarred and storm-water infrastructure is upgraded to address flooding problems.

We made significant gains since the 2006 Local Government Elections.

Ward based and flagship projects

For the past five years we pride ourselves with a unique ward based model which was the first in the country. This model covered the 43 wards of the municipality.

Through our maintenance we resealed and fixed potholes, installed high 8 mast lights, constructed RDP houses, tarred Dr. Nkomo Street, construction of Malebogo and Mamelodi streets, Lombard Mbatha streets in ward 43.

Sekwati, Thorometsane and Thulare streets were constructed in ward 39. RDP houses were constructed in Tshepong and ward 11.

Through our partnership with Arcellor Mittal we were able to replace the asbestos roofs with modern roofs in Boipatong and Bophelong.

A further 23 million has been set aside for the completion of this project. 80 jobs were created through this project.

This Madam Speaker is part of the successes of the ward based model. Indeed a lot has been done and much more still needs to be done.

In ward 35 we constructed Hlalefang, Mailo, Bonatla and Phuthatswana Streets., In ward 43 and the upgrading of the library.

In partnership with Sasol we launched a multi-media centre at the Sharpeville Library as part of the academic technology and e-learning.

Roads and stormwater

We can confirm that we have spent almost over R1.3 billion over the past five years in reconstructing our roads and over R725million on road maintenance.

Currently we have R60million worth of road reconstruction projects which are in progress.

- Budget resealing 2009/2010: Sebokeng R6,18 million; Vanderbijlpark R10,880 million and Vereeniging R22 million.
- Budget for Resealing 2010/2011: Sebokeng R4.2 million; Vanderbijlpark R7.6 million and Vereeniging R10.5 millions.

Electricity

There is 97.2% of over 166 000 households in Emfuleni receive electricity both from the municipality and Eskom. A further of 2500 households in Tshepong and Tshepiso are in the process of being electrified in the amount over R20 million. An R18 million, 88 KV power station project to increase electricity supply and security is being implemented in Vereeniging.

HIV AND AIDS

Community members, isizwe siyaphela. Our people are dying. Instead of our children burying their parents, their parents are burying them. We are building a society of orphans. We need to intensify our fight against HIV and AIDS.

We need to stop this scourge. We call upon young people to live a healthy and responsible life.

Bulk Regional Sewer Network Project

The accelerated developmental and investment growth in the region has surpassed the bulk infrastructure capacity available.

Emfuleni Local Municipality supported by the Sedibeng District Municipality and both the National and Provincial Governments, is developing a R3.5 billion regional sewer infrastructure to anchor all socio-economic developments in Southern Gauteng and to eliminate any future pollution into the Vaal River.

This project is now at the first phase design stage to the tune of R30million.

Eradication of pollution into the Vaal River

Over the past 12 months we have managed to upgrade all its waste water treatment works and improved their operational standards to meet national standards.

To this end we have achieved a consistent effluent quality standard that is on average 97% of national standards..

Waste

We have been able to achieve a 100% (166 870 households) refuse household collection in all formal settlements while the rural agricultural holdings are serviced by private companies.

We have provided 240litre bins to households in Evaton.

We call upon our people to refrain from illegal dumping. Our plan for the next five years is to create and improve parks.

We have started this project with Indalo Yethu to create a clean and healthy environment and recreational facilities.

Free Basic Services

Free Basic electricity has been made available to all 38 000 registered indigents.

Building of Sports & Recreation Facilities including public safety facilities

The following facilities have been upgraded and constructed:

- George Thabe Stadium for the preparation of the 2010 World Cup in the amount of R22 million.
- Our partnership with the Gauteng Provincial Government for the erection of a taxi rank in Bophelong.
- The Evaton Fire Station to the tune of over R20million.
- Our partnership with the private sector saw Arcelor Mittal injecting R5million to the re-roofing project which benefited 1250 houses in Boipatong and Bophelong.
- Dickinson Park has been improved and upgraded to the tune of R40million as part of our precinct development plan.

- Together with Sedibeng District Municipality, the Sharpeville Memorial has been upgraded.
- The Phelindaba Cemetery was upgraded at the cost of R14.1 million.

Financial viability

The budget we table today was prepared under difficult conditions. The economic meltdown as well as high levels of poverty and unemployment in the area, high level of migration has negatively impacted on revenue collection levels of the municipality.

This situation has further been exacerbated by the high Eskom electricity tariffs that have added an additional R60 million monthly cash-flow outflow.

The outstanding municipal debt stands at R2 billion. Through our turnaround strategy this debt will be recouped.

Operation clean audit and governance

Institutional performance stands as one of the obstacles between a qualified and a clean audit.

Madam Speaker we shall indeed cross that stumbling block and barrier as we have appointed a Performance Management Specialist to the senior management team to be able to double management's efforts in this operation.

The Auditor-General's queries on lack of performance management in an integrated manner will be addressed.

Performance monitoring and evaluation is a recipe to improved accountability and productivity in the municipality.

I must emphasize Madam Speaker that as part of the Auditor-General's operation clean audit and our turn-around strategy, we are tirelessly working towards the attainment of a clean audit.

Bursary Fund

Our bursary fund has befitted students in the fields of engineering, commerce, medicine, information technology and other scarce skills. This fund has benefited 108 students to the tune of R5 million.

Kaizer Chiefs Football Academy

One of the benefits of the 2010 Soccer World Cup is the establishment of a Football Academy together with Kaizer Chiefs Football Club. This will lead to the upgrading of the Cecil Old ridge Park to the tune of six million. We have partnered with the Gauteng Department of Sport, Arts and Recreation to secure this funding.

This will benefit our young people who will be trained in various aspects of football, including education.

Our partnership with the Eindhoven municipality in the Netherlands is one of the partnerships that anchor our rural development strategy. This yielded the provision of mobile ambulances rendering clinical services to 800 community members.

This further yielded the rehabilitation of the community halls, the development programme that will benefit 150 coaches, the creation of waste recycling centres as part of our environmental strategy.

Conclusion

The 18th May 2011 marks the dawn of a long five year journey of local government. It is an end that will herald a new beginning based upon the aspirations and will of our people. Let us all go to the polls and vote for the government of our choice.

As we wake up to the reality of a dream that comes to an end, I wish to thank my wife, my children and members of my family for their unwavering support.

I extend my special gratitude to the leadership of the African National Congress for its confidence in me to lead this Council to the present final day.

I wish to thank the Chairpersons of Section 79 and 80 Committees of Council and those who held leadership positions in the South African Local Government Association and other professional bodies.

I wish to thank the Speaker and Chief Whip of Council, the Mayoral Committee and Councillors for their leadership.

I wish to thank the Municipal Manager, members of the Senior Management Team, the entire staff of the municipality.
My special thanks to the staff in my office.

I wish to thank the leadership of the Executive Mayor of Sedibeng District Municipality.

I wish to thank the media for governing with us as a partner in nation building.

I wish thank Sasol, Arcellor Mittal, the Vaal University of Technology, the North-West University, Nedbank, Absa, Standard Bank, Die Sakekamer, Evaton Urban Renewal, the Eindhoven Municipality, the Auditor-General, the Treasury, Randwater, Eskom and other role players.

My special gratitude to the people of Evaton, Roshnee, Bophelong, Vanderbijlpark, Vereeniging, Boipatong, Sharpeville, Sebokeng and all the people of Emfuleni for their warmth and patience and support.

You stood and governed with us during the difficult times and together we shall do more.

We end this term imbued with the trust that our people had in us. We end it encouraged by the achievements of the last five years.

I wish those who will be assuming the leadership of this Council to serve with pride, dignity, selflessness and determination.

The achievements of the last years of democratic governance should not be reversed, should rather be consolidated and jealously guarded against.

We are approaching the end of this term confident that the experiences of the journey thus far traversed as we continue to execute our legislative mandate of a better life for all has impacted on the lives of ordinary people in a positive way.

Madam Speaker I hereby in terms of section 21 of the Municipal Systems Act 32 of 2000, section 127 (5) of the Municipal Finance Management Act, 53 of 2003 and Schedule A of the Municipal Budget and Reporting Regulations table the Budget and IDP 2011/12 and other Mayoral Committee items.

God bless Emfuleni

Ke a leboga

**Cllr SA Mshudulu-Executive Mayor
28th April 2011-City Hall- Vereeniging**

ITEM

MULTI-YEAR BUDGET - 2011 - 2012 (Including 2012/13 and 2013/2014)

1. Purpose

The purpose of this report is to present a Medium Term Revenue Expenditure Framework (MTREF) 2011 - 2012 annual budget together with the two outer years (2012 - 2013 and 2013 - 2014) as set out on pages XX-XX for inputs and recommending it for tabling before Council in terms of section 16 of the Municipal Finance Management Act No. 56 of 2003 (MFMA).

2. Background

In terms of section 16 of the MFMA, a municipal council must approve the annual budget for the municipality before the start of the financial year. However, due to the Local Government elections to be held on the 18th of May 2011, MFMA Circular number 54 provides guidance on the options that exists in terms of the approval of the Council's Annual Multi-year Budget.

Along with the approval of the 2010/11 Adjustments Budget on the 25th of January 2011, Council also approved a Revised Budget Timetable for the 2011/12 MTREF, which effectively adopts option one as provided by MFMA Circular number 54. In accordance with this option, the Outgoing Council approves the 2011/12 MTREF by 29 April 2011.

3. Budget process

- ❖ Council approved the budget and IDP process plan in line with the provisions of the MFMA.
- ❖ Operational plans and multi-year budgets were received from cost centers and consolidated by the Budget Office.
- ❖ The Finance Cluster prepared budgets for payroll, insurance, interest, provision for bad debts and depreciation for all clusters.
- ❖ This budget takes cognizance of the inputs from the Deputy Municipal Managers.

Budget Steering Committee (BSC)

- ❖ In compliance with the new budget regulations, a Budget Steering Committee (BSC) is in place.
- ❖ The second meeting of the BSC was held on the 17th February 2011.
- ❖ All the clusters made presentations to the BSC through their Deputy Municipal Managers.

Policy Review

The budget process requires the review of all policies informing the 2011/2012 MTREF. The following policies were reviewed:-

- ❖ Investment Policy - Changes effected
- ❖ Property Rates Policy - Change effected
- ❖ Credit Control Policy - Changes effected
- ❖ Asset Management Policy - Changes effected
- ❖ Indigent Policy - No changes made

4. Municipal Strategic Objectives

The following key municipal strategic objectives have been identified by Council for inclusion in the 2011/2012 MTREF budget as a priority:-

- ❖ Revenue protection;
- ❖ Revenue enhancement;
- ❖ Revenue generation;
- ❖ Salary threshold increase by 1% to reduce overtime and acting allowances;
- ❖ Focus on waste water treatment and compliance;
- ❖ Grass cutting;
- ❖ Road maintenance / pothole repairs;
- ❖ Public lighting and traffic lights;
- ❖ Job creation projects and Local Economic Development;
- ❖ Provision for impact of the wage curve;
- ❖ Institutional capacity review;
- ❖ Fleet utilisation; and
- ❖ Review of security costs.

5. Budget Summary

This budget is compiled under the context of extremely tough operating economic conditions. In addition, increased bulk purchase cost for Electricity, exceeds the tariff increases that can be passed on to consumers, places an additional burden on the operations of the municipality.

Instead of following a reactive budgeting process by managing available funds and reducing operational expenditure to a bare minimum, which in turn would negatively impact on service delivery, the municipality has decided on a

proactive approach in funding its operations and enhancing revenue and reduction of costs with the following interventions:-

- ❖ Focus on debt collection and credit control to be intensified;
- ❖ Reduction of water distribution losses;
- ❖ Reduction of electricity distribution losses;
- ❖ More effective utilisation of its assets (eg. Fleet); and
- ❖ Better management of human resources.
- ❖ Implementation of cost cutting measures.

Effective application of funds will not only result in improved service delivery but also increase the revenue base of the municipality.

The following activities have been identified as essential for the 2011/2012 operational budget:-

REVENUE COLLECTION AND ENHANCEMENT

- ❖ Fast track smart metering
- ❖ Implement credit control immediately - more resources to do collections
- ❖ Establish revenue management agency
- ❖ Audit of bulk consumers - Metering & billing
- ❖ Implement / Access EPWP grants and other grants funding

COST SAVING

- ❖ Alternative energy on public lighting, traffic lights and municipal billboards.
- ❖ Reallocation of and better management of fleet to minimize under utilization.
- ❖ Increase salary threshold by 1 percent to address and reduce overtime and acting allowance expenditure.
- ❖ Implement water demand management program in former Black townships.
- ❖ Negotiate grant partnerships with IDC, DWA and Randwater.

CASH FLOW MANAGEMENT AND FINANCIAL STABILITY

- ❖ Reduce provision for bad debts by ensuring implementation of debt collection.
- ❖ Manage and restrict expenditure in line with monthly cash flows.
- ❖ Submit 5 year financial plan integrated with revised LGTAS.
- ❖ Investigate Public Private Partnerships / Build, Operate and Transfer projects:-
 - Independent power producer
 - Independent water purification plan
 - Solid waste renewable energy project.

The approved strategic budget policy requires that the MTREF budget (2011 - 2012) be prepared on the basis of the operational plans submitted by the different cost centres and approved by the Deputy Municipal Managers of the different clusters. The projections for the proposed budget are based on current year outcomes, strategic choices made by municipal leadership, the parameters of the approved strategic budget policy and other parameters as provided by National Treasury

Budget and budget schedules

The MTREF budget 2011 - 2012 is contained in the schedules A1 - SA37.

INCOME AND EXPENDITURE

5.1 Revenue

The total revenue projected for the 2011/12 budget year amounts to R3.67 billion, which consist of R2.86 billion (78%) derived from internal resources and R808 million (22%) from grant funding, which includes the Equitable Share totaling R539 million.

The proposed tariff increase for all services excluding electricity and water sales is 10%. The tariff increase from Rand Water is 13.4% and the cost to the consumer being approximately 20%. An increase of 21.28% on electricity tariffs are proposed as approved by NERSA, whilst the tariff increase from Eskom is 25.8%.

The table below illustrates the Revenue by source.

Source	Amount (R)	Contribution to Total Revenue (%)
Revenue from own resources		
Property Rates	542 869 180	14.81%
Electricity	1 245 967 319	33.99%
Sanitation	220 818 683	6.02%
Water Services	553 766 019	15.11%
Waste Management	98 916 158	2.70%
Other Revenue	195 112 007	5.32%
	2 857 449 366	
Revenue from Grant funding		
Equitable Share	539 842 000	14.73%
EPWP	11 540 000	0.31%
MIG	126 985 000	3.46%
NEP	27 393 000	0.75%
Regional Bulk Infrastructure Grant	30 000 000	0.82%
Other Grants and Subsidies	72 693 003	1.98%
	808 453 003	
TOTAL REVENUE	3 665 902 369	

Expenditure

The projected expenditure for the 2011/12 budget, consist of R 3 362 656 834 in respect of operation expenditure and an allocation of R 303 245 535 towards capital expenditure. This represents an overall growth in the operational expenditure of R 546 918 684 (19.4%) and a decrease in the capital budget of R 63,9 million (17.41%).

5.2 Operational Budget

The significant growth in operational expenditure is dominated by an increase in bulk purchases of Electricity and Water of R260 million and R49 million respectively, representing 78% of the total increase. These increases are a direct result of tariff increases passed on from Eskom (25.8%) and Rand Water (13.4%).

The table below illustrates the operational budget per type of expenditure.

Expenditure	Amount (R)	Contribution to Total Operational Expenditure (%)
Bulk Electricity Purchases	1 114 841 589	33.15%
Bulk Water Purchases	334 650 000	9.95%
Employee relates cost	721 858 029	21.47%
Contracted Services	88 135 617	2.62%
Indigent support	115 500 000	3.43%
Insurance	19 873 501	0.59%
Interest on borrowings	20 246 136	0.60%
Lease Payments	96 482 451	2.87%
Operational Grant and Subsidy expenditure	52 508 929	1.56%
Security services	20 550 400	0.61%
Depreciation	129 690 671	3.86%
Repairs and Maintenance	201 011 987	5.98%
Other Expenditure	151 947 148	4.52%
Provision for Bad Debts	295 360 376	8.78%
	3 362 656 834	

From the above table, the following observations can be made:-

- ❖ Contracted services reflects a growth of R28 million (48%) from the 2010/11 operational budget. The most significant contributor to this increase is the inclusion of sufficient funding for grass cutting services which is a priority issue.
- ❖ Employee relates cost increased by 9.5%. This increase is a result of:-
 - Both Councilor Remuneration and Employee salaries are in line with the bargaining council agreement and CPI projections.
 - The inclusion of a R10 million provision for the wage curve adjustment.
 - Provision of R26 million in respect of vacancies.
 - 1% of salary cost to cater for overtime and acting allowances.

- ❖ Lease payments increased by 45% from the 2010/11 operational budget by R30m. The most significant contributor to this increase is a provision for R12m in respect of the new Municipal Court which is a BOT project.
- ❖ Depreciation increased by 57% (R47 million) due to revised depreciation calculations and additional capital inclusions in the Asset Register.
- ❖ Repairs and maintenance reflects a growth of 16% (R29 million) in order to address critical maintenance on infrastructure, including roads.

The allocation of the operational budget per vote is disclosed in the table below

Cluster	Amount (R)	Percentage (%)
Basic Services	2 415 291 593	71.83%
Public Safety and Community Development	311 342 802	9.26%
-- Direct Service Delivery	2 726 634 395	81.09%
Political Offices and Council	65 372 899	1.94%
Municipal Manager	38 268 878	1.14%
Economic Development & Planning	56 523 723	1.68%
Corporate Services	94 040 109	2.80%
Financial Services	354 632 740	10.55%
IPAM	27 184 091	0.81%
	3 362 656 834	

Financial Services includes inter alia, the allocation for indigent support and free basic services, interest expense and the provision for bad debts.

5.3 Capital Budget

Due to the financial constraints, the capital budget for 2011/12 only includes contributions from the operational budget for counter funding for MIG projects, projected roll over projects and those capital projects directly linked to the increase in Electricity tariffs, as required by NERSA.

All other capital projects are to be funded from MIG and other grants.

The table below illustrates the proposed capital budget for the 2011/12 year.

Detail	Amount (R)	Percentage (%)
MIG		
- Electrical Services	5 450 873	1.80%
- Health Services	23 076 568	7.61%
- Metsi a Lekoa	30 955 470	10.21%
- Parks and Cemeteries	16 609 840	5.48%
- PMU	435 000	0.14%
- Public Safety	7 073 771	2.33%
- Roads and Storm water	38 563 336	12.72%
- Sport and Recreation	25 871 977	8.53%
- Waste Management	11 815 701	3.90%
Roll Overs (Projected)	36 000 000	11.87%
Electrical Services (N.E.P) and Tariff Based Capital (NERSA)	77 393 000	25.52%
Infrastructure Support Grant (Dora)	30 000 000	9.89%

303 245 535

Funded by:	
MIG (Incl. Counter-Funding)	159 852 535
Emfuleni Local Municipality (Projected Roll over)	36 000 000
Emfuleni Local Municipality (NERSA Tariff-Based Capital)	50 000 000
National Electrification Programme (DoRA)	27 393 000
Infrastructure Support Grant	30 000 000
	303 245 535

5.4 Cash Flow

As a result of the increases in bulk purchases increases which cannot directly be passed on to the consumer, fixed monthly expenditure has significantly increased.

The table below highlights the impact of fixed monthly cash outflows.

Expenditure	Amount (R)	Contribution to Total Operational Expenditure (%)
Bulk Electricity Purchases	1 114 841 589	40.02%
Bulk Water Purchases	334 650 000	12.01%
Contracted Services	88 135 617	3.16%
Employee relates cost	721 858 029	25.91%
Indigent support	115 500 000	4.15%
Insurance	19 873 501	0.71%
Interest on borrowings	20 246 136	0.73%
Lease Payments	96 482 451	3.46%
Operational Grant and Subsidy expenditure	52 508 929	1.88%
Security services	20 550 400	0.74%
Repairs and Maintenance	201 011 987	7.22%
	2 785 658 639	

Taking into account that only 17 % of the total operational budget is not committed to either, a grant, bulk purchase, legal obligation, it is evident that revenue available for daily operations, other than fixed commitments, has significantly decreased.

The current payment level is approximately 74%. This necessitates a provision for bad debts of R26% totaling R549 million. The budgeted provision for bad debts of R 254 million is less than the required amount and is mitigated by the following:-.

- the revenue enhancement interventions
- cost savings measures
- improved credit control measures

The situation will be reassessed in the adjustments budget after six month.

5.5 Tariffs

The following are average proposed tariffs increases:

- | | | |
|------------------|--------|-----------------------------|
| • Electricity | 21.28% | Subject to NERSA Approval |
| • Water | 20% | Subject to Council approval |
| • Refuse | 10% | Subject to Council approval |
| • Sanitation | 10% | Subject to Council approval |
| • Sundry Tariffs | 10% | Subject to Council approval |

National Treasury has recommended inflationary increase of 4.8% for the 2011/2012 budget. Employee costs will increase by at least 6.8%, water by 13.4% and electricity tariffs by 25.8%.

Sundry tariffs have been increased by approximately 10% (rounded up or down). Nominal tariffs (under R 100) may have increased by more than 10% however the quantum is not material.

The inequality of sewer tariffs between Vereeniging and Vanderbijlpark has been addressed and will be equalized over two (2) years - half in the 2011/12 financial year and the balance in the 2012/13 financial year. This realized additional revenue of approximately R 1 million.

Annexure B (tariff booklet) contains the full detail of the individual tariffs.

5.6 Indigent Provision

The current budget 2011/2012 makes provision of R115 million for free basic services and Indigent support

RECOMMENDED THAT

1. The budget, comprising of the following, be tabled before council for approval :

- ❖ Table A1 - Budget Summary
- ❖ Table A2 - Budgeted Financial Performance (Revenue and Expenditure by standard classification)
- ❖ Table A3 - Budgeted Financial Performance (Revenue and Expenditure by municipal vote)
- ❖ Table A4 - Budgeted Financial Performance (Revenue and Expenditure)
- ❖ Table A5 - Budgeted Capital Expenditure by Vote, Standard classification and Funding
- ❖ Table A6 - Budgeted Financial Position
- ❖ Table A7 - Budgeted Cash Flow
- ❖ Table A8 - Cash backed reserves/Accumulated surplus reconciliation
- ❖ Table A9 - Asset Management
- ❖ Table A10 - Basic service delivery measurement

2. The following revised policies and the determination of assessment rates levies for the 2011/2012 financial year be tabled before council for adoption :

- ❖ Investment Policy - Changes effected
- ❖ Property Rates Policy - Change effected
- ❖ Credit Control Policy - Changes effected
- ❖ Asset Management Policy - Changes effected
- ❖ Determination of assessment rates levies for the 2011/2012 financial year

3. The following cost cutting measures and interventions be in place for the 2011/12 financial year:

- 3.1 Council funded Projects that qualify for MIG be converted into MIG - Projects, subject to approval of COGTA;
- 3.2 No new projects are commissioned until and unless the cash flow can sustain such projects. These must first be approved by the MM and the CFO;
- 3.3 All grant funded projects, especially MIG be prioritised and speeded up (The Mogale City agreement must be utilized);

- 3.4 All performance contracts of Section 56 Managers to be reviewed to ensure alignment with cost cutting measures;
- 3.5 All clusters and political offices need to implement cost cutting measures and provide feedback on savings achieved;
- 3.6 Concerted effort to be made to improve the collection rate by an average of at least 5% by implementing drastic credit control measures;
- 3.7 Any additional funds realised be used to implement the temporary suspended projects;
- 3.8 Fast track the evaluation and restructuring of the revenue and debt management functions; in particular:-
 - 4.8.1 Contract management
 - 4.8.2 Deviation management
 - 4.8.3 Feasibility study on “smart metering”
 - 4.8.4 Project plan on collection of revenue
- 3.9 Expedite deployment of management experts in the revenue management department to evaluate and enforce management performance and to expedite a turn around;
- 3.10 The Municipal Manager to issue periodic cost-cutting directive measures to enforce the cost saving ethos in the organisation;
- 3.11 The Municipal Manager to maintain consultation with organised labour;
- 3.12 Full operation of fleet management system. Control of fleet by all the departments and clusters to manage fleet effectively and efficiently;
- 3.13 Minimize usage of plant hire from external contractors;
- 3.14 Review, reduce and minimize the overtime costs that is a fixed monthly cost;
- 3.15 Review, reduce and minimize the telephone usage and cost;
- 3.16 Catering costs be curtailed;
- 3.17 Limit the number of newspapers being issued and to certain levels only;
- 3.18 Identify the top 20 to 30 cost drivers with a view to effecting savings in these areas;
- 3.19 Losses incurred as a result of cable theft (electricity) and also fuel theft (fleet) must be investigated and measures put in place to minimize these losses and
- 3.20 Roll-out of Revenue Enhancement Programme.
- 3.21 Effect savings of bulk purchases of water by reducing water losses

3.22 Effect savings of bulk purchases of electricity by reducing electricity losses